MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period ended 31 October 2005, due to the loss of orders from certain major customer, the turnover for the period was HK$19 million (2004: HK$105 million) which represented a decrease of 82% as compared to last period. The narrowing of margin and reduction in volume of major customers resulted in the gross loss for the period at HK$8.1 million (2004: profit of HK$4.2 million). This was mainly due to the drastic increase in the price of raw materials such as silicon steel and copper as well as the keen competition. The basic loss per share was increased to HK5.79 cents (2004: HK4.35 cents). The group will continue to develop the Electrical Manufacturing Services ("EMS"). The major business segments review were as follows:

ELECTRICAL PRODUCTS

The turnover of electrical products decreased by 87% during this period. This was mainly due to the expiry of the manufacturing agreement of a major customer. Gradual improvement in this segment of sales is anticipated as the company has secured new contracts from new customers in the musical instrument and professional audio industries.

ADAPTORS AND TRANSFORMERS

The turnover of adaptors and transformers decreased by 72% as compared to last period which was attributable to the decrease in selling price and keen competition from rivals.

OTHER PRODUCTS

The other products consisted of manufacture and sale of plastics, moulding and others.

Geographically, the Japan market was still the major revenue generator. The Group continues to develop the PRC market.

PROSPECT

The Group will continue to develop the EMS in the production of professional audio, musical equipment and sound reinforcement businesses. To strengthen the support of this segment, the Group continues to recruit management and professional staff from the electronic industry with a view to focus and develop new business and to increase competitiveness. In addition, the Group will also continue to develop the Original Design Manufacturer home appliance products.

To overcome the adverse effect of continuous increase in the prices of major raw materials, the Group aims at improving its engineering support and customer services to improve its competitiveness in market. The Group strives to improve the operation efficiency by controlling the administrative and overhead costs.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation with internally generated cash flow, rights issue and medium term loan facility from an independent third party. As at 31 October 2005, the Group had bank and other borrowings and obligations under finance lease of approximately HK$34,297,000 (2004: HK$19,234,000) and deficiency in assets of approximately HK$11,445,000 (2004: net assets of HK$12,905,000).

The Group's current ratio (currents assets over current liabilities) was 62% (2004: 95%) and the gearing ratio (total interest-bearing borrowings over shareholders' funds) for 2004 was 141%. The Group's transactions are mainly denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars is pegged to United State dollars, the Group's exposure to exchange rate fluctuations is minimal.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 October 2005, the Group employed approximately 700 employees. They were remunerated according to the nature of job and market condition. Other employee benefits available for eligible employees included staff canteen, mandatory provident fund, share option and medical insurance scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2004: nil).